

Third Implementation Plan

(Fiscal Years 2005 – 2009)

for the

College Grove Redevelopment Project

Adopted: June 15, 2004

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO

I. INTRODUCTION

This Third Implementation Plan (the “Plan”) is being prepared and adopted according to California Community Redevelopment Law. This Plan identifies project activities scheduled for the next five years. There is currently no housing or residentially zoned property within the boundaries of the College Grove Project Area, and thus, it is anticipated that, for the next ten years, all statutory low and moderate income housing set aside funds generated by this Project will be utilized for the provision of housing in communities in the vicinity of the Project Area or in other redevelopment project areas. In FY 1994, \$140,000 was spent from the fund to assist in financing a 144-unit apartment complex in the Barrio Logan Redevelopment Project to serve low and very low income families. No other expenditures of the housing fund have occurred since that time. A proposal to establish a new housing rehabilitation assistance program for low to moderate income homeowner occupants in the neighborhoods surrounding the College Grove Redevelopment Project Area is currently being processed for Redevelopment Agency Board consideration.

The College Grove Shopping Center was built in the early 1960’s. In 1982, the owner proposed to perform only cosmetic improvements to the aging center. However, in order to attract new major anchor tenants it was determined that major on-site improvements to the shopping center and off-site street improvements to improve traffic circulation in the area were needed. The owner approached the City and the Redevelopment Agency, seeking public financing assistance for the off-site public improvements through a redevelopment project.

The College Grove Redevelopment Project was adopted on May 19, 1986. The purpose of the project was to assist in redeveloping and revitalizing the aging College Grove Shopping Center by providing assistance from tax increment revenues to finance street improvements necessary to improve traffic circulation and access to the shopping center. The College Grove Redevelopment Plan authorizes the undertaking of redevelopment activities through May 19, 2026 and the repayment of debt from plan activities through May 19, 2036.

The Project Area consists of 167 acres, generally bounded by State Route 94 on the South, College Avenue on the East and College Grove Drive on the North. The College Grove Shopping Center property is approximately 56 acres and is the only privately owned property in the project area, with the exception of an approximately two acre vacant parcel located at the northeast corner of College Grove Way and College Grove Drive. The balance of the project area, approximately 109 acres, is City-owned and includes Chollas Lake Park, the Chollas Landfill and public rights-of-way.

In 1987, a Planned Commercial Development (the “P CD”) Permit was granted to the shopping center’s owner for the renovation and expansion of the College Grove Shopping Center. In May, 1988 the Redevelopment Agency and the owners entered into

an Owner Participation Agreement (the “OPA”) and Reimbursement Agreement. Under these Agreements the owner was to finance the off-site public improvements, including the freeway interchange and surface street improvements, and the Agency was to reimburse the owner for these costs (and plan adoption costs) from tax increment funds. Later in 1988, the redeveloped shopping center reopened as Marketplace at the Grove, with a new nine-plex theatre, bowling alley and food court. Total estimated cost of the renovations was \$60 million.

Even with the substantial redevelopment of the shopping center, no new major anchor stores located at the center. While the shopping center experienced initial success, the downturn in the economy of the late 1980’s and the center’s inability to attract new anchors contributed to a significant decline in tenants and sales. By 1997, the shopping center’s tenant occupancy was below 50%, and retail sales steadily declined through the 1990’s from \$49 million in 1991 to \$30 million in 1997. Although preliminary engineering work on the public improvements was paid for by the owner, none of the public improvements required by the 1988 OPA were constructed.

In the initial five year Implementation Plan (1994-1999), the Agency anticipated that a physical reconfiguration of the shopping center, a new Owner Participation Agreement, and an increase in tax increment revenues would occur by the end of the fifth year of the five year implementation plan. In 1998 the shopping center was sold to Vestar Development LLC (“Vestar”) and Wal-Mart Real Estate Business Trust (“Wal-Mart”). Concurrently and in September, 1998 the Agency executed a Disposition and Development Agreement with Vestar and Wal-Mart for the redevelopment of the shopping center into a big-box, value-oriented shopping center.

In 2000 work was completed on the most recent major rehabilitation of the shopping center. The new project reconfigured the center into approximately 615,000 sf of building space. The project brought in a new Wal-Mart, Sam’s Club, Staples and Home Base as anchor tenants in addition to the Long’s Drugstore, Big Lots, Mervyn’s and other associated smaller stores already at the center. This project significantly reduced building vacancies in the center, but also resulted in the loss of the cinema theaters.

In order to implement this project the Redevelopment Agency entered into a Disposition and Development Agreement (DDA) with Wal-Mart Real Estate Business Trust, which provided for the Agency to subsidize the project in the amount of \$958,000 as a land write-down. The funds were fronted by the developer and the Agency is committed to use only tax increment funds generated from the site to service the fifteen year loan. In addition, the Agency and DP Partnership entered into a Purchase Agreement which provided for the Agency to pay the developer \$350,000 for the dedication of additional right-of-way from the center for the future widening of College Avenue. The developer provided the dedication and the \$350,000 loan is to be paid off over a fifteen year time period solely from tax increment funds generated by the project. The Agency also committed that, once the DDA loan and Purchase Agreement loan were paid off, College

Grove tax increment funds would be used to pay for construction improvements for the widening of College Avenue adjacent to the shopping center.

As a result of these agreements all discretionary (non housing setaside) tax increment funds from the College Grove Redevelopment Project, with the exception of \$40,000 per year withheld for Agency administrative costs, are dedicated to service the debt on these loans. In 2003, prior to the initiation of the debt service obligation for the Purchase Agreement and DDA loans, the Agency paid \$215,000 of discretionary tax increment funds to the City as repayment of debt for previous administrative costs incurred by the City in support of the College Grove Redevelopment Project. The City then allocated \$215,000 to the Crossroads Redevelopment Project for the cost of processing a Redevelopment Plan and associated documents for the establishment of that new Redevelopment Project.

At the same time that the Agency approved the College Grove Shopping Center DDA and Purchase Agreements, the City Council approved a Lease Agreement with the shopping center developer partners Wal-Mart Real Estate Business Trust and Vestar Development II, LLC. This agreement provided for the shopping center to designate 350 parking spaces as park and ride spaces available to the general public to support public transit and carpooling use. In return for this designation the City will pay incremental sales tax revenues generated by the center as debt service on a fifteen year loan of \$2,392,000. The sole funding source for the City's debt service payments would be 75% of sales tax revenues above the base amount of \$550,000 in year one and above \$600,000 for years 2 through 14 of the loan.

In 2001 the Home Base store closed, but was replaced by a new Target Store that opened in 2003. The bowling alley closed in 2003, but a 24 Hour Fitness center has signed a lease in early 2004 to fill the majority of the space of the former bowling alley. In early 2004 Sam's Club submitted to the City a permit application to install a new gas station at the southeast corner of College Grove Drive and College Grove Way. This station is proposed to be installed in the current location of a parking lot that is mutually shared by the shopping center as well as serving as a park and ride lot for public transit or car pool users. The project permit application review is in process as of the initial presentation of this plan.

II. DESCRIPTION OF PROJECT BLIGHTING CONDITIONS.

The College Grove Shopping Center was in a state of severe physical deterioration at the time of Redevelopment Plan adoption in 1986. The aging Center had been constructed in the early 1960's, and by the mid 1980's the infrastructure of the shopping center was in need of major repair. The lighting and electrical system was inadequate, and the wiring was deteriorated; the air conditioning was partially broken and inadequate; the roof leaked; and many of the buildings were in need of repair. The appearance of the shopping center kept customers away.

The split level design of the shopping center proved to be a barrier to shoppers in fully using the center's stores, and the number of vacant stores increased over the years, resulting in decreased sales tax revenues and further decline in tenants. As the center declined, incidences of gang violence began to occur in the early 1980's, further aggravating the decline in shoppers.

The poor traffic circulation system also contributed to the economic decline of the shopping center. The lack of convenient Eastbound access to State Route 94 discouraged would-be shoppers. In addition, the surface streets around the center did not provide for optimum access to the center.

The Agency's redevelopment efforts to date have successfully alleviated a number of blighting conditions in the project area. However, many of these conditions are still present in and around the shopping center site. The College Grove Project Area is characterized by some blighting conditions, including deteriorated buildings, vacant and underutilized properties, inadequate or outdated public improvements, and unemployment and underemployment.

Additional street improvements are anticipated to be needed in upcoming years to address traffic circulation inefficiencies. These improvements are anticipated to include the widening of College Avenue and installation of a traffic signal at the intersection of College Avenue and Livingston Street/SR-94 off-ramp. In addition, a number of improvements are needed at the Chollas Lake Recreation Area to bring the park up to the standards called for in the Chollas Lake Recreation Area General Development Plan.

III. SPECIFIC GOALS AND OBJECTIVES OF THE AGENCY FOR THE PROJECT AREA

The goals and objectives of the College Grove Redevelopment Project, as summarized from the Redevelopment Plan, are to:

- 1) Eliminate blighting conditions and prevent the recurrence of blight in and about the project area;
- 2) provide for redevelopment and expansion of College Grove Shopping Center as a well-planned and designed regional commercial center which meets community standards, is efficient and profitable, is part of a coordinated land use pattern of commercial and public facilities, and is consistent with adopted plans and zoning ordinances;
- 3) provide for appropriate types of commercial uses within the project area to meet the commercial needs of the area, the community and the region;

- 4) provide for required community facilities and public services, including recreational facilities;
- 5) provide an adequate traffic circulation and control system within the Project Area;
- 6) provide for the installation and improvement of streets, public utilities, sewer and water services necessary to the ultimate redevelopment of the Project Area;
- 7) mitigate blight resulting from exposure to highway and public rights of way;
- 8) encourage development and expansion of local commerce and needed commercial facilities to increase local employment and improve the economic climate in the Project Area;
- 9) provide the direction, purpose and climate for combined public and private investment which will result in benefits to the community as a whole; and
- 10) provide for very low, low and moderate income housing as required by State law and consistent with the goals and objectives of the community and the Redevelopment Agency.

The goals and objectives as noted above, and as more specifically outlined in the Redevelopment Plan, will continue during the five years covered by this Implementation Plan.

IV. SPECIFIC PROJECTS AND EXPENDITURES PROPOSED TO BE MADE DURING THE NEXT FIVE YEARS.

The primary funding source available to the Agency for redevelopment activities in the College Grove Redevelopment Project is tax increment funding. Tax increment funds can be divided into two main categories. Twenty per cent (20%) of the gross total tax increment funds are required by California Community Redevelopment Law to be used exclusively to improve and increase the supply of housing affordable to very low, low and moderate income households. The remaining eighty per cent (80%) of the total tax increment funding is called 'discretionary tax increment' and may be used for any eligible purpose under redevelopment law.

The following Table 1 shows College Grove Redevelopment Project's historical tax increment revenues for the past five years and breaks it down into total gross tax increment revenues, housing setaside tax increment (20% of gross total), revenues that are mandated to be paid by the Agency to the County (pass-through payments) and remaining discretionary tax increment funds available to the Agency for the College Grove project.

TABLE 1
College Grove Redevelopment Tax Increment Revenues
FY 2000 – FY 2009

Fiscal Year	Total Gross Tax Increment	20% Housing Setaside T.I.	Tax Share Pass Throughs	Remaining Discretionary Tax Increment
2000	53,021	10,604	15,062	27,355
2001	410,007	82,001	50,250	277,756
2002	469,778	93,955	64,794	311,029
2003	483,351	96,670	67,299	319,382
2004	437,079	87,415	65,085	284,579
2005	447,803	89,560	67,387	290,856
2006	458,740	91,748	69,734	297,258
2007	469,897	93,979	72,129	303,789
2008	481,276	96,255	74,571	310,450
2009	492,883	98,576	77,063	317,244

As described in Section I, much of the discretionary tax increment revenues from the College Grove project are dedicated to pay debt service for the Disposition and Development Agreement and Purchase Agreement loans associated with the most recent major overhaul of the shopping center. With the exception of \$40,000 per year that the Agency is able to withhold for its administrative expenses, all of the remaining discretionary tax increment revenue is obligated for these debt service payments until the loans are paid off. The following Table 2 shows that this debt is projected to be paid off during Fiscal Year 2008.

TABLE 2
Discretionary Tax Increment Obligations
FY 2000 – FY 2009

Fiscal Year	Remaining Discretionary Tax Increment	Debt Service Obligations	Agency Administration Allowance	Unobligated Balance
2000	27,355	0	40,000	[12,645]
2001	277,756	0	40,000	237,756
2002	311,029	271,029	40,000	0
2003	319,382	279,382	40,000	0
2004	284,579	244,579	40,000	0
2005	290,856	250,856	40,000	0
2006	297,258	257,258	40,000	0
2007	303,789	263,789	40,000	0
2008	310,450	175,773	40,000	94,677
2009	317,244	0	40,000	277,244

As Table 2 illustrates, the College Grove Redevelopment Project is projected to have no unobligated discretionary tax increment revenues available until Fiscal Year 2008. When adopting the current DDA for the shopping center, the Agency pledged to use future discretionary tax increment revenues for the widening of College Avenue. It is assumed that the unobligated discretionary tax increment revenues to become available within the next five years will be dedicated to the College Avenue widening project, a traffic signal at the intersection of College Avenue and Livingston Street and improvements to the Chollas Lake Recreation Area.

It is projected that more than \$350,000 of housing setaside tax increment revenues will be collected for the College Grove Redevelopment Project over the next five years. There are currently no debt service or other obligations for the use of these funds. Since the College Grove Project Area does not contain either any housing or any land zoned for residential development, it is unlikely that any of the housing setaside funds would be spent within the College Grove Project Area. A proposal is currently being processed for Agency consideration to allocate existing College Grove housing setaside funds in the amount of \$452,000 for a homeowner occupant housing rehabilitation assistance program to be implemented in the Crossroads Redevelopment Project Area. The Crossroads Project Area abuts the College Grove Project Area and includes several residential neighborhoods surrounding College Grove. It is proposed that future housing setaside funds received for the College Grove Project Area be used to expand the proposed housing rehabilitation assistance program beyond the Crossroads Project Area boundaries into other older residential areas in the vicinity of the College Grove Project Area.

V. EXPLANATION OF HOW THE GOALS AND OBJECTIVES, PROJECTS AND EXPENDITURES WILL ELIMINATE BLIGHT

The original rationale and the primary goal of the project has been to revitalize the shopping center by providing Agency financing for improvements that will improve the center's economic viability. The Agency's redevelopment efforts to date have successfully alleviated a number of blighting conditions in the Project Area. Some of these conditions are still present in and around the shopping center site. Implementation of the redevelopment project can be expected to assist in the alleviation of blighting conditions through the following: 1) Reuse of a vacant or underutilized property; 2) installation of new public improvements; 3) creation of new employment opportunities, both in terms of construction jobs and permanent employment in the completed facilities; 4) provision of new shopping and services within the Project Area; 5) elimination of deteriorated building conditions; 6) increase in retail sales revenues; and 7) additional property tax increment revenues, including set-aside funds for the Agency's affordable housing programs.

VI. EXPLANATION OF HOW THE GOALS AND OBJECTIVES, PROJECTS AND EXPENDITURES WILL IMPLEMENT PROJECT HOUSING REQUIREMENTS

1. Goals and Objectives

California's Community Redevelopment Law requires that not less than twenty percent (20%) of all tax increment generated by the project shall be used for the purpose of increasing the community's supply of very low, low and moderate income housing. Additionally, affordable dwelling units shall remain affordable for not less than fifty-five (55) years for multi-family units and forty-five (45) years for owner-occupied units, the period of land use controls established in the project plan. The Redevelopment Project's on-going goal is to develop housing in compliance with current legislation and available Project resources.

2. Affordable Housing Need for the City of San Diego

The City of San Diego is currently working on, but has not completed, the Housing Element for FY05 – FY 09. Therefore this Implementation Plan will reflect the Housing Element information for FY00 – FY04. It is anticipated that the City of San Diego's Affordable Housing Fair Share Goals for these years will be approximately the same.

The Fair Share Affordable Housing Needs for FY00 – FY04 are as follows:

INCOME LEVELS	VERY LOW (<50% AMI)	LOW (<80% AMI)	MODERATE (80% to 120% AMI)	MARKET (120%> AMI)
# UNITS NEEDED	7,463	6,797	9,137	16,388

It is anticipated that the City of San Diego will not meet the affordable housing fair share goals for FY00-FY04 based on the resources available to build the affordable housing units. The maximum feasible affordable housing units that can be produced based on the resources available for FY 00 – FY04 (i.e. subsidy, etc.) are:

INCOME LEVELS	VERY LOW (<50% AMI)	LOW (<80% AMI)	MODERATE (80% to 120% AMI)	MARKET (120%> AMI)
# UNITS NEEDED	1,780	1,788	8,892	15,332

According to the 2000 Census the population of the City of San Diego is 1,223,400 persons with 1,094,494 under the age of 65.

3. Agency Comprehensive Affordable Housing Strategy

The Redevelopment Agency, comprised of the City's Redevelopment Division, Centre City Development Corporation (CCDC) and Southeastern Economic Development

Corporation (SEDC), has formed a collaborative with the San Diego Housing Commission to accelerate and encourage new affordable housing development citywide. In January, 2003, leveraging Redevelopment set-aside funds, the collaborative issued a Notice of Funding Availability (NOFA) announcing the availability of \$55 million of secured assets to provide gap financing for very low, low and moderate income housing. The College Grove Redevelopment Project Area, along with the fifteen other redevelopment project areas in San Diego, is eligible to participate in this program both financially and with proposed projects. The Program has so far generated significant interest from developers, and as the funds are committed during 2004, the Agency will consider issuing another such notice, perhaps in 2005.

Low and Moderate Income Housing Fund

- **Amounts Available to Housing Fund**

The College Grove Redevelopment Project began generating tax increment in FY 1989. As stated previously in this report, \$452,000 of housing setaside funds have been carried over from previous year allocations and are proposed to be used to establish a rehabilitation assistance program for dwelling units occupied by low and moderate income resident owners in neighborhoods in the vicinity of the College Grove Project Area. The projections for the new housing set-aside funds anticipated to be received for the College Grove Project Area during this implementation plan period are shown in Table 2 below:

Table 2: Estimated Housing Set-Aside Funds

FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
\$89,560	\$91,748	\$93,979	\$96,255	\$98,576

It is anticipated that these funds will be used to develop affordable housing programs outside of the Project Area and assist in funding the Collaborative effort.

- **Projected Housing Units and Funds Expended**

The currently proposed use of the College Grove housing setaside funds is to fund a homeowner occupant housing rehabilitation assistance program in the neighborhoods surrounding the Project Area. The assistance would be in the form of forgivable silent second mortgage loans that would remain silent and forgivable as long as the properties remained owner occupied. If all of the College Grove housing setaside funds are used for this purpose, no new affordable dwelling units would be developed.

Assuming a \$15,000 assistance per unit, approximately thirty existing units could be rehabilitated using prior year housing set-aside funds and another thirty-one units could be rehabilitated using new housing setaside funds anticipated to be received through Fiscal Year 2009. The actual amount of housing set-aside funds to be received in the coming years will depend upon actual tax increment receipts. The actual number of units rehabilitated will depend on market conditions and be determined as the rehabilitation assistance program is pursued.

4. Agency Developed and Project Area Housing

California Community Redevelopment Law requires that the Agency prepare an estimate of the number of new, rehabilitated and price-restricted dwelling units to be developed in the Project Area. These numbers also includes the inclusionary housing requirements: units for very low, low and moderate income households. The inclusionary housing requirements state that fifteen percent (15%) of all new or rehabilitated dwelling units developed by public or private activities, other than the Agency, in a redevelopment project area should be affordable to low and moderate income households. Forty percent (40%) of the 15% inclusionary housing units shall be at affordability levels for very low income households.

For units developed by the Agency, thirty percent (30%) of all new and rehabilitated dwelling units shall be affordable for low and moderate Income households. Not less than fifty percent (50%) of the 30% affordable units shall be affordable to very low income households. The Agency is not expected to develop units itself, but will assist private entities and other public agencies with the development of housing. Therefore, the Agency will comply with the 15 percent requirement.

- **Estimates of the number of new, substantially rehabilitated or price-restricted residential units to be developed or purchased in the project area, both over the life of the plan and during the next 10 years.**

No new housing units are projected to be constructed within the College Grove Redevelopment Project Area within the next ten years. An estimated eighty housing units outside of the Project Area will be rehabilitated over the next ten years.

- **Housing Unit Estimates for Very Low, Low, and Moderate Income Households Next 10 Years and Life of Plan**

Of the estimated eighty housing units outside of the Project Area that will be rehabilitated with Agency assistance over the next ten years, all of them are required to be occupied and owned by very low, low or moderate income residents. An estimated 15%, or twelve, of these units are expected to be occupied and owned by very low income residents.

- **Number of Very Low, Low-, and Moderate-Income Units Already Developed**

The College Grove Project Area contains no residential units. However, in 1994 \$140,000 of housing setaside funds from the College Grove Redevelopment Project were used as partial Agency funding to assist the development of 144 new residential units made affordable to very low income tenants at the Mercado Apartments project in the Barrio Logan Redevelopment Project Area.

- **Number of Agency Developed Units including Very Low, Low-, and Moderate-Income Units**

The College Grove Project Area contains no residential units. However, in 1994 \$140,000 of housing setaside funds from the College Grove Redevelopment Project were

used as partial Agency funding to assist the development of 144 new residential units made affordable to very low income tenants at the Mercado Apartments project in the Barrio Logan Redevelopment Project Area.

5. Replacement of Dwelling Units Destroyed or Removed

The College Grove Redevelopment Project Area contains no residential units and has not contained any residential units since the Redevelopment Plan was adopted. Thus no units were removed, destroyed or replaced.

G. Summary

The Implementation Plan for the College Grove Redevelopment Project sets forth the specific projects planned for the Project Area during the next five years, in accordance with the California Community Redevelopment Law. The major redevelopment activity anticipated for the life of this Redevelopment Plan has already occurred. During the next five years Redevelopment funding and activities are expected to focus on paying off debt incurred for the rehabilitation of the College Grove Shopping Center, maintaining the center, assisting the rehabilitation of affordable housing in the surrounding neighborhoods and beginning the process to implement street improvements on College Avenue and improvements to the Chollas Lake Recreation Area.